
THE GREATER BATON ROUGE FOOD BANK

FINANCIAL STATEMENTS

DECEMBER 31, 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9/5/07



THE GREATER BATON ROUGE FOOD BANK

FINANCIAL STATEMENTS

DECEMBER 31, 2006

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Greater Baton Rouge Food Bank
Baton Rouge, Louisiana

We have audited the accompanying statements of financial position of The Greater Baton Rouge Food Bank (a not-for-profit organization) as of December 31, 2006 and 2005, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of The Greater Baton Rouge Food Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of The Greater Baton Rouge Food Bank as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2007, on our consideration of The Greater Baton Rouge Food Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 4, 2007

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2006 AND 2005

ASSETS

	<u>2006</u>	<u>2005</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 1,543,347	\$ 1,329,048
Accounts receivable	43,711	13,063
Prepaid expenses	14,650	20,551
Food inventory - donated and purchased	1,850,030	1,164,054
Food inventory - commodities	103,081	47,699
Total current assets	<u>3,554,819</u>	<u>2,574,415</u>
<u>PROPERTY AND EQUIPMENT</u>		
Land	60,000	60,000
Building and building improvements	1,523,324	1,365,259
Vehicles	207,397	180,944
Furniture, fixtures, and equipment	247,392	224,667
	<u>2,038,113</u>	<u>1,830,870</u>
Less: Accumulated depreciation	<u>(758,634)</u>	<u>(622,100)</u>
	<u>1,279,479</u>	<u>1,208,770</u>
<u>OTHER ASSETS</u>		
Assets limited as to use	587,028	502,562
Investments (certificates of deposit - one year maturity)	204,911	201,836
	<u>791,939</u>	<u>704,398</u>
 Total assets	 <u>\$ 5,626,237</u>	 <u>\$ 4,487,583</u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	<u>2006</u>	<u>2005</u>
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 20,868	\$ 42,090
Accrued expenses and other liabilities	8,848	5,546
Total current liabilities	<u>29,716</u>	<u>47,636</u>
<u>NET ASSETS</u>		
Unrestricted	4,652,393	3,704,604
Temporarily restricted	556,744	378,051
Permanently restricted	387,384	357,292
Total net assets	<u>5,596,521</u>	<u>4,439,947</u>
Total liabilities and net assets	<u>\$ 5,626,237</u>	<u>\$ 4,487,583</u>

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>REVENUES AND OTHER SUPPORT</u>				
Contributions	\$ 412,599	\$ 38,468	\$ 30,092	\$ 481,159
Capital campaign	-	18,250	-	18,250
United Way	159,658	-	-	159,658
Special events	133,089	-	-	133,089
FEMA	-	51,758	-	51,758
Donated services and materials	44,988	-	-	44,988
America's Second Harvest	-	159,312	-	159,312
Grant revenues	84,095	314,600	-	398,695
Local government support	25,670	-	-	25,670
USDA commodities reimbursements	345,062	-	-	345,062
Investment income	109,596	-	-	109,596
Food donations received	12,538,078	-	-	12,538,078
Commodities received	1,274,765	-	-	1,274,765
Cluster transportation	115,211	-	-	115,211
Other	9,986	-	-	9,986
Total revenues	15,252,797	582,388	30,092	15,865,277
Net assets released from restrictions				
Satisfaction of purpose of restrictions	403,695	(403,695)	-	-
Total revenues	15,656,492	178,693	30,092	15,865,277
<u>EXPENSES</u>				
Program	14,498,481	-	-	14,498,481
Administration	36,023	-	-	36,023
Fund-raising	174,199	-	-	174,199
Total expenses	14,708,703	-	-	14,708,703
<u>CHANGE IN NET ASSETS</u>	947,789	178,693	30,092	1,156,574
Net assets at beginning of year	3,704,604	378,051	357,292	4,439,947
Net assets, end of period	\$ 4,652,393	\$ 556,744	\$ 387,384	\$ 5,596,521

The accompanying notes are an integral part of these statements.

2005

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,073,486	\$ 46,815	\$ 22,445	\$ 1,142,746
-	70,156	-	70,156
171,675	-	-	171,675
71,340	-	-	71,340
-	53,772	-	53,772
53,211	-	-	53,211
-	65,000	-	65,000
65,932	395,160	-	461,092
29,030	-	-	29,030
186,187	-	-	186,187
51,071	-	-	51,071
10,497,611	-	-	10,497,611
1,455,152	-	-	1,455,152
-	-	-	-
8,557	-	-	8,557
13,663,252	630,903	22,445	14,316,600
275,553	(275,553)	-	-
13,938,805	355,350	22,445	14,316,600
12,820,513	-	-	12,820,513
28,841	-	-	28,841
141,945	-	-	141,945
12,991,299	-	-	12,991,299
947,506	355,350	22,445	1,325,301
2,757,098	22,701	334,847	3,114,646
\$ 3,704,604	\$ 378,051	\$ 357,292	\$ 4,439,947

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006			
	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Accounting and professional fees	\$ -	\$ 9,750	\$ -	\$ 9,750
Advertising	21,796	-	1,391	23,187
Capital campaign	7,633	-	-	7,633
Cluster transportation	115,211	-	-	115,211
Cold storage	6,370	-	-	6,370
Conferences	12,612	-	-	12,612
Depreciation	136,534	-	-	136,534
Distribution of commodities	1,219,383	-	-	1,219,383
Distribution of donated food	11,918,100	-	-	11,918,100
Dues	12,936	-	826	13,762
Fuel and mileage	25,031	799	799	26,629
In-Kind expense	18,535	-	-	18,535
Insurance	141,739	-	-	141,739
Investment fees and expenses	5,420	-	-	5,420
Miscellaneous expense	33,786	-	1,411	35,197
Payroll taxes	41,971	1,499	6,495	49,965
Postage	7,356	-	14,936	22,292
Printing and publication	18,084	-	26,024	44,108
Repairs and maintenance	71,089	-	-	71,089
Retirement	5,338	191	826	6,355
Salaries	508,439	18,159	78,687	605,285
Special event expense	-	-	39,851	39,851
Supplies	13,232	3,308	-	16,540
Telephone	6,016	1,504	2,507	10,027
Transportation	62,970	-	-	62,970
Utilities	56,480	571	-	57,051
Volunteer program	8,500	-	446	8,946
Waste disposal	23,920	242	-	24,162
	<u>\$ 14,498,481</u>	<u>\$ 36,023</u>	<u>\$ 174,199</u>	<u>\$ 14,708,703</u>

The accompanying notes are an integral part of these statements.

2005

<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
\$ -	\$ 6,400	\$ -	\$ 6,400
33,209	-	2,120	35,329
10,554	-	-	10,554
-	-	-	-
2,219	-	-	2,219
3,491	-	-	3,491
125,652	-	-	125,652
1,568,360	-	-	1,568,360
10,066,614	-	-	10,066,614
13,696	-	874	14,570
15,660	500	500	16,660
53,211	-	-	53,211
128,592	-	-	128,592
6,943	-	-	6,943
35,914	-	1,496	37,410
36,280	1,296	5,615	43,191
8,515	-	17,287	25,802
14,926	-	21,480	36,406
81,453	-	-	81,453
5,058	181	783	6,022
436,032	15,573	67,481	519,086
-	-	21,996	21,996
12,154	3,039	-	15,193
4,672	1,168	1,947	7,787
82,633	-	-	82,633
48,508	490	-	48,998
6,959	-	366	7,325
19,208	194	-	19,402
<u>\$ 12,820,513</u>	<u>\$ 28,841</u>	<u>\$ 141,945</u>	<u>\$ 12,991,299</u>

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 1,156,574	\$ 1,325,301
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	136,534	125,652
Appreciation of investments	(46,155)	(24,425)
Donated inventory and other assets	(712,429)	(496,923)
Net change in:		
Accounts receivable	(30,648)	1,570
Prepaid expenses	5,901	(8,932)
Commodities inventory	(55,382)	113,208
Accounts payable	(21,222)	1,196
Accrued expenses and other liabilities	3,302	5,546
Net cash provided by operating activities	<u>436,475</u>	<u>1,042,193</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Expenditures for property and equipment	(180,790)	(19,479)
Purchase of investments	<u>(41,386)</u>	<u>(27,868)</u>
Net cash used in investing activities	<u>(222,176)</u>	<u>(47,347)</u>
Change in cash and cash equivalents	214,299	994,846
Cash and cash equivalents at beginning of year	<u>1,329,048</u>	<u>334,202</u>
Cash and cash equivalents at end of year	<u>\$ 1,543,347</u>	<u>\$ 1,329,048</u>

The accompanying notes are an integral part of these statements.

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Greater Baton Rouge Food Bank (Food Bank) is a not-for-profit organization that gathers, stores, and redistributes food to charitable organizations and churches that serve the needy. Food sources include donations from individuals, corporations, and organizations; purchased food; and the USDA Commodities program.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Food Bank is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates have been applied in the determination of donated food values and depreciation in preparation of the accompanying financial statements.

Property and Equipment

Property and equipment are stated at cost. Additions, renewals, and betterments that extend the useful life of the assets are capitalized. Maintenance and repair expenditures are expensed as incurred. Provisions for depreciation and amortization are computed using the straight-line method over the assets' useful lives, which range from 3 to 39 years.

Revenue Recognition and Promises to Give

Contributions are recognized when the donor makes a promise to give to the Food Bank that is, in substance, unconditional. Contributions which are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the same year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Food Bank is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code.

Food Inventory - Donated and Purchased

Food inventory, predominately donated, is reported at fair value as determined by pricing guidelines produced by *America's Second Harvest*. Donated food inventory received is recorded as unrestricted revenue at an amount equal to the determined value in accordance with the aforementioned guidelines.

Food Inventory - Commodities

Commodities inventory is reported at fair value as determined by the commodities price listing produced by the Louisiana Department of Agriculture and Forestry. Commodities inventory received is recorded as unrestricted revenue at an amount equal to the determined value in accordance with the aforementioned guidelines.

Investments

Investments are carried at fair value. The change in fair value is recognized as a component of investment income. Accrued interest on investments is recognized as a component of accounts receivable.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with original maturities of less than three months.

At various times during the fiscal year, the Food Bank's cash in bank balances exceeded the Federally insured limits. At December 31, 2006, the Food Bank's uninsured cash balances totaled approximately \$468,485. Additionally, \$1,012,271 is held in a U.S. Treasury money market fund by a financial institution.

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

The Food Bank determines past-due accounts based on contractual terms and does not charge interest on the accounts. The Food Bank charges off receivables if management considers the collection of the outstanding balance to be doubtful.

2. TEMPORARILY RESTRICTED NET ASSETS

Net assets were temporarily restricted for the following purposes at December 31:

	<u>2006</u>	<u>2005</u>
Generators for agencies	\$ 50,000	\$ -
Food	34,318	37,415
Disaster relief	-	6,000
Hurricane Katrina	472,426	334,373
Kid's Café	-	100
Cooler/freezer purchase	-	163
	<u>\$ 556,744</u>	<u>\$ 378,051</u>

3. PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purposes at December 31:

	<u>2006</u>	<u>2005</u>
Endowment Fund; (principal unexpendable; interest can be used for general mission statement of Food Bank)	<u>\$ 387,384</u>	<u>\$ 357,292</u>

4. BOARD DESIGNATIONS FOR UNRESTRICTED NET ASSETS

The Board of Directors designated \$112,762 and \$184,724 as of December 31, 2006 and 2005, respectively, of unrestricted net assets for its Capital Campaign.

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

5. DONATED FOOD AND SERVICES

The Food Bank's operations consist primarily of receiving, storing, and redistributing donated and purchased food to the needy through eligible organizations. Donated food is recorded in the accompanying financial statements as unrestricted revenue at its estimated value. Also, volunteers assist in the operations of the Food Bank. The cost of volunteer services is not reflected in the accompanying financial statements.

Activity of donated food inventory is summarized as follows:

	<u>2006</u>	<u>2005</u>
Food inventory, beginning of year	\$ 1,164,054	\$ 667,131
Food donations received	12,538,078	10,497,611
Food purchases	65,998	65,926
Distributed, discarded, and adjustment	(11,918,100)	(10,066,614)
Food inventory, end of year	<u>\$ 1,850,030</u>	<u>\$ 1,164,054</u>

6. USDA COMMODITIES

The Food Bank participated in the USDA Commodities program during the years ended December 31, 2006 and 2005. The objective of the program is to provide U.S. Department of Agriculture (USDA) donated commodities to low-income households through eligible organizations for home consumption. Commodities received are recorded in the accompanying financial statements as unrestricted revenue at its estimated cost.

The commodities were as follows:

	<u>2006</u>	<u>2005</u>
Commodity inventory, beginning of year	\$ 47,699	\$ 160,907
Food commodities received	1,274,765	1,455,152
Distributed, discarded, and adjustment	(1,219,383)	(1,568,360)
Commodity inventory, end of year	<u>\$ 103,081</u>	<u>\$ 47,699</u>

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

7. CLUSTER TRANSPORTATION

During 2006, the Food Bank assumed the responsibility as the cluster head for the New Orleans cluster for America's Second Harvest. As the head of the cluster of itself, the Food Bank of Central Louisiana, and the Second Harvest Food Bank of Greater New Orleans and Acadiana, the Food Bank coordinates and pays for the cluster's transportation costs and is then reimbursed monthly by the two other food banks. Cluster transportation revenue is recorded in the accompanying financial statements as unrestricted revenue. Amounts due from the agencies are recognized as a component of accounts receivable.

8. VEHICLE LEASES

The Food Bank began leasing delivery trucks for food distribution in December 2006. The terms of the lease require annual rental payments of approximately \$48,000 for the next six years. Rental expense for the lease was \$7,069 and \$0 for the years ended December 31, 2006 and 2005.

9. RETIREMENT PLAN

The Food Bank adopted a qualified Internal Revenue Code Section 403(b) annuity plan. The Plan covers all full time employees who have completed at least three months of service. The Food Bank is obligated to match up to 50% of an employee's deferred amount, up to 10% of their pay. The Food Bank has the option to match up to 100% in any one year. The Food Bank contributed \$6,355 and \$6,022 to this Plan during the years ended December 31, 2006 and 2005, respectively.

10. INVESTMENT INCOME

The Greater Baton Rouge Food Bank Endowment Fund (the Fund) was created as an inviolate endowment. Donations, to be used to meet the mission statement of the Food Bank, can be solicited for this fund. Interest, dividends, capital gains or other earnings of the Fund are to be utilized at the discretion of the Board of Directors and in compliance with the policies and procedures of the Board designated holder of the endowment. This policy, with the exception of the inviolate nature of the endowment that may not be altered, may only be changed by a two-thirds majority vote of the elected, voting members of the Board of Directors. The corpus of the assets of this fund is considered to be permanently restricted.

Investments of the Endowment Fund consist solely of amounts invested in the Baton Rouge Area Foundation Investment Pool. The carrying amount of the investments of \$587,028 and \$502,562 as of December 31, 2006 and 2005, respectively, is its fair value, based on quoted market prices.

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

10. INVESTMENT INCOME (continued)

The Food Bank has cash in money market accounts and certificates of deposit that pay interest.

Investment income on investments was comprised of the following:

	<u>2006</u>	<u>2005</u>
Net unrealized gains on endowment fund	\$ 46,155	\$ 24,425
Dividend and interest (endowment fund)	14,547	10,530
Interest (money market and certificates of deposit)	<u>48,894</u>	<u>16,116</u>
	<u>\$ 109,596</u>	<u>\$ 51,071</u>

11. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated by management among the programs and supporting services benefited.

12. COMMITMENTS AND CONTINGENCIES

The Food Bank is, from time to time, involved in lawsuits arising in the ordinary course of its business that, in the opinion of management, will not have a material effect on the Food Bank's results of operations.

THE GREATER BATON ROUGE FOOD BANK

**REPORTS ON INTERNAL CONTROL AND ON
COMPLIANCE AND OTHER MATTERS**

DECEMBER 31, 2006



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EXHIBIT A

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed
In Accordance with Government Auditing Standards**

The Board of Directors
The Greater Baton Rouge Food Bank
Baton Rouge, Louisiana

We have audited the financial statements of The Greater Baton Rouge Food Bank (a not-for-profit organization) as of and for the year ended December 31, 2006, and have issued our report thereon dated June 4, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Greater Baton Rouge Food Bank's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Greater Baton Rouge Food Bank's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record or process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the following paragraph to be significant deficiencies in internal control over financial reporting.

- 2006-1 As part of the audit process, we have always assisted management in drafting the financial statements and related notes for the year-end audit procedures. The definition of internal control over financial reporting is that policies and procedures exist that pertain to an entity's ability to initiate, record, process, and report financial data consistent with the assertion embodied in the annual financial statements, which for the Organization, is that financial statements are prepared in accordance with generally accepted accounting principles (GAAP). Because our involvement is so key to that process that is an indication that the internal control over financial reporting of the Organization meets the definition of a significant deficiency as defined above.
- 2006-2 Although the year-end audited financial statements are adjusted to the accrual basis of accounting, the Organization maintains its books on a cash basis. Recording transactions on an accrual basis is in accordance with generally accepted accounting principles, and it provides more meaningful financial information. We realize the cash basis method of accounting is easy to administer and understand. We also understand that the procedure to maintain your books on an accrual basis throughout the year can be a time-consuming task. Thus, we would suggest that you consider a procedure in which books are kept on a cash basis, and accrual adjustments are made only at year-end. Interim financial statements could then be maintained on the cash basis to simplify the monthly closing procedures. This practice would enable the Organization to enjoy the best features of both methods: properly adjusted accrual financial statements for year-end accounting, and more easily produced interim financial statements for monthly reporting.
- 2006-3 During the audit, it was noted that most journal entries were not authorized and one did not have supporting documentation. We recommend that management categorize journal entries into recurring journal entries and nonrecurring journal entries, where authorization for recurring journal entries is established at the beginning of the year. Nonrecurring journal entries would require individual authorization by someone other than the person preparing the journal entry. Journal entries should always be supported by appropriate documentation where possible. Good documentation serves as an accounting record and facilitates future follow-up as well as additional insight for other users.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are a material weakness. We noted another matter involving the internal control over financial reporting that we have reported to management of The Greater Baton Rouge Food Bank in a separate letter dated June 4, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Greater Baton Food Bank's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of The Greater Baton Rouge Food Bank and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Pestlethwaite & Netterville

Baton Rouge, Louisiana
June 4, 2007





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EXHIBIT B

**Report on Compliance with Requirements Applicable to
Each Major Program and on Internal Control Over Compliance
In Accordance With OMB Circular A-133**

The Board of Directors
The Greater Baton Rouge Food Bank
Baton Rouge, Louisiana

Compliance

We have audited the compliance of the Greater Baton Rouge Food Bank with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2006. The Greater Baton Rouge Food Bank's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Greater Baton Rouge Food Bank's management. Our responsibility is to express an opinion on the Greater Baton Rouge Food Bank's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Greater Baton Rouge Food Bank's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Greater Baton Rouge Food Bank's compliance with those requirements.

In our opinion, the Greater Baton Rouge Food Bank complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2006.

Internal Control Over Compliance

The management of the Greater Baton Rouge Food Bank is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Greater Baton Rouge Food Bank's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Greater Baton Rouge Food Bank's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Greater Baton Rouge Food Bank as of and for the year ended December 31, 2006, and have issued our report thereon dated June 4, 2007. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the board of directors, management of the Greater Baton Rouge Food Bank, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under revised statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Pastlethwaite & Netterville

Baton Rouge, Louisiana
June 4, 2007



EXHIBIT C

THE GREATER BATON ROUGE FOOD BANK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FISCAL YEAR ENDED DECEMBER 31, 2006

U.S. DEPARTMENT OF AGRICULTURE

<u>PROGRAM NAME</u>	<u>FEDERAL CFDA NUMBER</u>	<u>EXPENDITURES</u>
FEDERAL AGENCY FOOD AND NUTRITION SERVICE, PASSED THROUGH GRANT NUMBERS 6LA810812 AND 6LA400812		
EMERGENCY FOOD ASSISTANCE PROGRAM	10.568 and 10.569	\$ <u>1,564,445</u>
TOTAL DEPARTMENT OF AGRICULTURE		\$ <u>1,564,445</u>

DEPARTMENT OF HOMELAND SECURITY

<u>PROGRAM NAME</u>	<u>FEDERAL CFDA NUMBER</u>	<u>EXPENDITURES</u>
EMERGENCY FOOD AND SHELTER PROGRAM	97.024	\$ <u>51,758</u>
TOTAL HOMELAND SECURITY		\$ <u>51,758</u>

TOTAL EXPENDITURES OF FEDERAL AWARDS \$ 1,616,203

See the accompanying notes to the schedule of expenditures of federal awards.

THE GREATER BATON ROUGE FOOD BANK

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Greater Baton Rouge Food Bank (Food Bank) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the estimated cost of the commodities disbursed. At December 31, 2006, the organization had USDA commodities valued at \$103,081 in inventory.

NOTE C – SUB-RECIPIENTS

All of the commodities distributed were done so to eligible recipient agencies considered to be sub-recipients of the Food Bank.

THE GREATER BATON ROUGE FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2006

A. Summary of Auditors' Results*Financial Statements*

Type of auditor's report issued: Unqualified

- Material weakness(es) identified? _____ yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? x yes _____ none reported

Noncompliance material to financial statements noted?

_____ yes x no*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? _____ yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes x none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

_____ yes x no

THE GREATER BATON ROUGE FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2006

Identification of major programs:**CFDA Numbers****Name of Federal Program or Cluster**

10.568 and 10.569

Emergency Food Assistance Program

- The threshold for distinguishing types A and B programs was \$300,000.
- The Greater Baton Rouge Food Bank does qualify as being a low-risk auditee.

Findings and Questioned Costs – Major Federal Awards Programs

- None

EXHIBIT E

THE GREATER BATON ROUGE FOOD BANK
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2005

Findings and Questioned Costs – Major Federal Awards Programs

- None



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To the Board of Directors
The Greater Baton Rouge Food Bank
Baton Rouge, LA

We have audited the financial statements of The Greater Baton Rouge Food Bank, for the year ended December 31, 2006 and have issued our report thereon. As part of our examination, we made a study and evaluation of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purposes of such evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist the auditor in planning and performing his audit of the financial statements.

The objective of internal control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of the financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

No matter how good a system, there are inherent limitations that should be recognized in considering the potential effectiveness of internal accounting. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the degree of compliance with the procedures may deteriorate. We say this simply to suggest that any system needs to be constantly reviewed and improved where necessary.

During the course of our audit, we made the following observations which we feel should be brought to your attention. Concerning these matters, we offer the following comments and recommendations:

1) Written Payroll Authorizations Should be Maintained

Our audit procedures in the payroll area indicated that the current policy does not require management's written authorization for changes in employment status, such as salary increases, new positions, or other personnel actions. We suggest that to improve controls and document retention for personnel matters, written authorizations should be maintained for all personnel changes.

Management's response:

Management agrees with the recommendation and will implement a policy that written authorization will be maintained for all personnel changes.

Pestlethwaite ; Netterville

Baton Rouge, Louisiana
June 4, 2007



GREATER BATON ROUGE

Food Bank



WILLIAM H. WRIGHT, JR.
BUILDING
5546 Choctaw Drive



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(225) 359-9940
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Thomas Brown
Vice Chairman
Barry R. Kilpatrick
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Mark Grant
Member-at-Large
Thomas J. Savoie
Member-at-Large

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PRESIDENT/CEO
Michael G. Manning



TAX ID # 72-1065318
GBRFB@BRFOODBANK.ORG

June 22, 2007

Postlethwaite & Netterville
Certified Public Accountants
8550 United Plaza Blvd., Suite 1001
Baton Rouge, LA 70809

We are providing this letter in response to the significant deficiencies identified in your Report on Internal Control over Financial Reporting dated June 4, 2007.

Condition:

- 2006-1 As part of the audit process, we have always assisted management in drafting the financial statements and related notes for the year-end audit procedures. The definition of internal control over financial reporting is that policies and procedures exist that pertain to an entity's ability to initiate, record, process, and report financial data consistent with the assertion embodied in the annual financial statements, which for the Organization, is that financial statements are prepared in accordance with generally accepted accounting principles (GAAP). Because our involvement is so key to that process that is an indication that the internal control over financial reporting of the Organization meets the definition of a significant deficiency as defined above.

Management's Response:

Management will assume the full responsibility for the preparation of the financial statements and notes. This will be done independently or with the assistance of another accounting firm.

Condition:

- 2006-2 Although the year-end audited financial statements are adjusted to the accrual basis of accounting, the Organization maintains its books on a cash basis. Recording transactions on an accrual basis is in accordance with generally accepted accounting principles, and it provides more meaningful financial information. We realize the cash basis method of accounting is easy to administer and understand. We also understand that the procedure to maintain your books on an accrual basis throughout the year can be a time-consuming task. Thus, we would suggest that you consider a procedure in which books are kept on a cash basis, and accrual adjustments are made only at year-end. Interim financial statements



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could then be maintained on the cash basis to simplify the monthly closing procedures. This practice would enable the Organization to enjoy the best features of both methods: properly adjusted accrual financial statements for year-end accounting, and more easily produced interim financial statements for monthly reporting.

Management's Response:

Management intends to convert from cash to accrual accounting with the beginning of the new fiscal year on January 1, 2008. This change is scheduled for that date to avoid creating the associated problems with making such a major accounting change in the middle of the annual accounting period. In the interim, Management has undertaken a more active role in the conversion process from cash to accrual and will improve upon that during the last year of cash basis accounting.

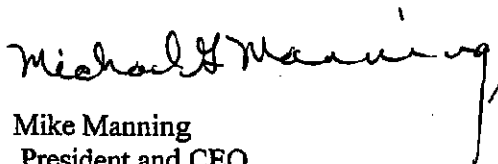
Condition:

- 2006-3 During the audit, it was noted that most journal entries were not authorized and one did not have supporting documentation. We recommend that management categorize journal entries into recurring journal entries and nonrecurring journal entries, where authorization for recurring journal entries is established at the beginning of the year. Nonrecurring journal entries would require individual authorization by someone other than the person preparing the journal entry. Journal entries should always be supported by appropriate documentation where possible. Good documentation serves as an accounting record and facilitates future follow-up as well as additional insight for other users.

Management's Response:

In response to the recommendation, Management has instituted a policy requiring the approval of all journal entries, both recurring and individual, will be approved by the President and CEO or the officers of the Board.

Sincerely,


Mike Manning
President and CEO